

Message Text

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ORIGIN COME-00

INFO OCT-01 ARA-06 EUR-12 ISO-00 AID-05 CIAE-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 FEA-01 INT-05 /067 R

DRAFTED BY COM/BIC/OED/MEPD/WHAIMES/CF

APPROVED BY EB/OCA/CM/JSIMMONS

COM/BIC/OED/MEPD/JMSANDS, DIR.

COM/BIC/OIM (INFO)

ARA/ECP/DLACEY

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P 132241Z JAN 76

FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA PRIORITY

AMEMBASSY PARIS

AMCONSUL PORTO ALEGRE

INFO AMCONSUL RIO DE JANEIRO PRIORITY

AMCONSUL SAO PAULO

C O N F I D E N T I A L STATE 008367

E.O. 11652: GDS

TAGS: BEXP, BR

SUBJECT: MAJOR PROJECT: BRAZIL'S THIRD PETRO-
--- CHEMICAL POLE

REF: BRASILIA 8013

1. IN SEPTEMBER, 1975, FOLLOWING RECEIPT REFTTEL, MEPD NOTIFIED APPROPRIATE DESIGN/CONSTRUCTION COMPANIES OF SUBSTANTIAL SALES OPPORTUNITIES IN CONNECTION WITH BRAZIL'S PLANS FOR THIRD PETROCHEMICAL POLE. OVER PAST SEVERAL MONTHS UE HAVE RECEIVED EXPRESSIONS OF INTEREST FROM FOLLOWING FIRMS: STONE AND WEBSTER, THE LITWIN CORPORATION, JACOBS INTERNATIONAL, C. F. BRAUN,
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CRAWFORD AND RUSSELL, FOSTER-WHEELER, FLUOR, RUST

INTERNATIONAL, AND THE LUMMUS COMPANY. (ALL ABOVE FIRMS WERE PROVIDED WITH SUMMARY OF FEASIBILITY STUDY WHICH WAS FORWARDED TO US BY CONSULATE PORTO ALEGRE.)

2. ON JANUARY 8 REPRESENTATIVES OF THE LUMMUS COMPANY VISITED MEPD TO DISCUSS THEIR INTEREST IN THIS PROJECT AND TO REQUEST USG ASSISTANCE. COMPANY HAS BEEN ACTIVELY PURSUING CONTRACT TO DESIGN/CONSTRUCT THE

CORE ETHYLENE UNIT AND HAS MADE SEVERAL PRESENTATIONS TO PETROQUISA TEAM WHICH IS CHARGED WITH OVERSEEING NEW PETROCHEMICAL COMPLEX. ACCORDING TO GUS TIRANNO, SALES MANAGER FOR LATIN AMERICA, COMPANY HAS HAD EXCELLENT RECEPTION AND MAY EVEN BE IN POSITION TO NEGOTIATE CONTRACT DIRECTLY, PROVIDED FINANCING CAN BE ARRANGED. THIS DUE TO PETROQUISA'S GOOD EXPERIENCES WITH LUMMUS ON PRIOR PETROCHEMICAL PROJECTS, LUMMUS'S SUPERIOR KNOW-HOW IN ETHYLENE PRODUCTION, AND COMPANY ABILITY TO UTILIZE RESOURCES OF ITS LOCAL SUBSIDIARY IN ORDER TO PROVIDE PACKAGE USING MAJORITY BRAZILIAN ENGINEERING.

3. LUMMUS STATED THAT PETROQUISA INTENDS CARRY OUT PETROCHEMICAL COMPLEX LARGELY ALONG LINES OUTLINED IN FRENCH FEASIBILITY STUDY. BRAZILIANS HOPE TO MAXIMIZE LOCAL PROCUREMENT, PARTICULARLY FOR ENGINEERING AND CONSTRUCTION, AND TO ENCOURAGE FOREIGN EQUITY CONTRIBUTIONS TO COVER FOREIGN PROCUREMENT. IN FACT, LUMMUS THINKS PETROQUISA MAY NOT EVEN TAKE EQUITY POSITION IN DOWNSTREAM FACILITIES IF THEY CAN FIND FOREIGN INVESTORS. ON CORE UNIT LUMMUS BELIEVES PETROQUISA WILL ALLOW FOREIGN EQUITY TO COVER HARD CURRENCY PORTION. ACCORDING TO LUMMUS, IF CORE UNIT IS TO BE ON STEAM BY THIRD QUARTER 1980 AS PLANNED, THEN CONTRACTS FOR DESIGN/CONSTRUCTION FOR ETHYLENE FACILITY MUST BE SIGNED BY THE END OF THE SECOND QUARTER 1976.

4. ON CORE UNIT LUMMUS FEELS PRIMARY COMPETITION IS FROM FRENCH BECAUSE OF VERY ATTRACTIVE OFFER OF CONFIDENTIAL

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FRENCH FINANCING, EVEN THOUGH FRENCH CAN NOT MATCH LUMMUS TECHNOLOGY OR ABILITY TO PROCURE LOCAL ENGINEERING. LUMMUS IS ATTEMPTING PUT TOGETHER ASAP OWN FINANCIAL PACKAGE, HOPEFULLY WITH EXIMBANK PARTICIPATION. (LUMMUS REPS WERE TO VISIT EXIM THAT AFTERNOON.) LUMMUS UNDERSTANDS FRENCH HAVE MADE TWO SEPARATE OFFERS. FIRST, POSSIBLY FROM

CDF, MADE DIRECTLY TO PETROQUISA FOR 500 MILLION DOLLARS TO INCLUDE DIRECT LOAN AS WELL AS EQUITY PARTICIPATION. THIS MAY BE TIED WITH FRENCH PROPOSAL FROM TECHNIP, IFP, AND KTI FOR DESIGN/CONSTRUCTION, AND WOULD INCLUDE LARGE PORTION FRENCH ENGINEERING (WHICH LUMMUS BELIEVES CONTRARY TO BRAZILIAN INTENT.) SECOND PACKAGE IS BELIEVED TO BE MADE BY CIAVE TO STATE OF RIO GRANDE DO SUL.

5. ACTION REQUESTED: WOULD BE EXTREMELY HELPFUL IF ADDRESSEES COULD VERIFY AND OBTAIN FURTHER DETAILS OF FRENCH OFFERS OF FINANCING, INCLUDING, IF POSSIBLE, TERMS AND CONDITIONS OF LOANS. FOR BRASILIA, PORTO ALEGRE: WOULD ALSO APPRECIATE UPDATE STATUS REPORT ON PROJECT AND COMMENTS RE LUMMUS INFO. VISIT TO APPROPRIATE BRAZILIAN OFFICIALS MAY BE USEFUL TO EXPRESS USG INTEREST AND TO GET BETTER FEEL FOR LUMMUS COMPETITIVE POSITION, AS WELL AS OTHER POSSIBLE U.S. COMPANY INVOLVEMENT. HOWEVER, ABOVE INFORMATION SHOULD BE TREATED WITH DISCRETION SO AS NOT TO COMPROMISE LUMMUS POSITION AT THIS TIME. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 13 JAN 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE008367
Document Source: CORE
Document Unique ID: 00
Drafter: BIC/OED/MEPD/WHAIMES/CF
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760012-0762
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760161/aaaaccbk.tel
Line Count: 136
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN COME
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 BRASILIA 8013
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 20 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <20 APR 2004 by SmithRJ>; APPROVED <13 AUG 2004 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MAJOR PROJECT: BRAZIL'S THIRD PETRO- --- CHEMICAL POLE
TAGS: BEXP, BR
To: BRASILIA PORTO ALEGRE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006